



COST/BENEFIT ANALYSIS WORKSHEET USER MANUAL

OVERVIEW

District 7 staff have estimated and analyzed the costs (both direct and indirect) and community benefits relating to the proposed Austin soccer stadium. This document explains the assumptions, calculations, and models used to estimate those costs and community benefits. The cost models and estimates are available in the Excel spreadsheet labeled “McKalla - Local Subsidies,” while the community benefits models and estimates are available in the “McKalla - PSV Investment” Excel file. This document explains each of these spreadsheets separately (the cost spreadsheet is explained on pages 3-10, while the benefits spreadsheet is explained on pages 11-16).

GUIDING PRINCIPLES

District 7 staff used the following principles to guide them in making assumptions and modeling decisions:

- **Providing Conservative Estimates.** Estimating potential future impacts often requires making assumptions about certain factors, such as future cost growth. District 7 staff worked to ensure all such assumptions used were reasonable and defensible. They did so in three main ways, by:
 1. Utilizing historic data to estimate future patterns;
 2. Erring on the side of caution when making decisions on modeling and assumptions; and
 3. Confirming with city staff and other experts that modeling decisions and assumptions are reasonable.
- **Providing a Range of Scenarios.** Estimating potential future impacts provides a rough calculation about what *could* happen, not a definite accounting of what *will* happen. In order to account for this inherent uncertainty, District 7 staff analyzed the potential costs and benefits under a range of different scenarios, each of which uses conservative assumptions (with some being relatively more conservative and others relatively less conservative). The assumptions underlying each of these scenarios is explained in this document.
- **Making All Assumptions and Calculations Available for Review.** This document represents a good-faith effort on the part of District 7 staff to estimate the potential costs and benefits related to the soccer stadium proposal. To that end, they are providing all assumptions and calculations for public review to ensure full transparency.

GENERAL ASSUMPTIONS

District 7 staff used the following general assumptions in their cost/benefit calculations:

- **Timeframe.** This analysis estimates proposed direct subsidies, forgone revenues and ‘community benefits’ over the initial 20-year term provided in the term sheet. PSV utilizes a 25-year timeframe in their ‘community benefits’ calculations. District 7 staff decided to use the 20-year initial term because the term sheet specifies that PSV is required to pay the community benefits “over the initial term of the StadiumCo Lease” and does not refer to any requirement related to renewal terms.

This analysis does **not** examine the full extent of costs and benefits over the full lifetime of the agreement, which PSV has currently proposed as 50 years (an initial 20-year term and three possible 10-year renewal terms). Longer-term estimates of costs can be difficult to make with a reasonable degree of confidence due to the uncertainty of factors such as long-term economic growth. As a result, this analysis focuses only on

the first 20-year term. If Council approves an agreement for a potential 50 years (and if PSV agrees to provide community benefits over the renewal terms as well as the initial term), costs and benefits will continue beyond what is estimated here. PSV has proposed to escalate community benefits at a rate of 2 percent annually. To the extent that city's costs grow faster or slower than this 2 percent, the ratio of costs to benefits could diverge over time. (Source: "City of Austin: Major League Soccer Stadium Project Term Sheet.")

- **Number of Soccer Matches Annually.** The B&D Venues Analysis assumes 17 soccer matches (and 16 other events annually). PSV's proposal estimates 20 soccer matches annually. In calculating PSV's proposed community benefits, District 7 staff used PSV's estimate of 20 matches, which would provide a slightly higher amount of community benefits than if using B&D Venues' estimate. (Sources: Page 7 of the B&D Venues Economic Impact Analysis in the Response to City Council Resolution 20180322-99 and Page 161 of Precourt Sports Ventures' "McKalla Place Proposal, Stadium & Soccer Park Development Plan.")

COST WORKSHEET: LOCAL SUBSIDIES

GENERAL INFORMATION

The 'Local Subsidies' worksheet aims to estimate the potential direct and indirect costs of the soccer stadium proposal.

- **Direct Costs** are those that the city or another local governmental entity spends directly on the project.
- **Indirect Costs (Forgone Revenues)** are those costs that the city incurs indirectly by not collecting certain revenues. For instance, property tax exemptions incur an indirect cost/forgone revenue because the local governmental entity would have collected that tax but for the exemption (and needs to cover that forgone revenue by either providing a lower level of service or raising revenues from other taxpayers).

SCENARIOS

This section outlines, at a high level, the models District 7 staff used to construct the 'Local Subsidies' worksheet. The specific details of how District 7 built these models is discussed in depth in the subsequent section.

- **More Conservative Scenario.** This scenario includes the following:
 - Forgone rent (at 2 percent growth of rent annually)
 - Forgone property tax revenue (at 2 percent growth of tax burden annually)
 - Infrastructure and construction subsidies (flat amount)
 - Insurance estimate (flat amount)
 - Forgone parking revenue-sharing (at \$5 per parking space total cost with 30 percent revenue-sharing to the city)
 - Forgone public stadium revenue-sharing (at \$1 per ticket)
 - Event services (no fee increases)
 - Police (no fee increase)
 - Fire (no fee increase)
 - EMS (no fee increase)
 - Street Cleaning (no fee increase)
 - Traffic Control (no fee increase)
 - ◆ In the negotiated proposal, EMS and Fire costs are assumed \$0 based on staff's understanding of the term sheet (that it requires PSV to cover all on-site services, even those outside the stadium).
- **Moderately Conservative Scenario.** This scenario includes the following:
 - Forgone rent (at 2 percent growth of rent annually)
 - Forgone property tax revenue (at 4 percent growth of tax burden annually)
 - Infrastructure and construction subsidies (flat amount)
 - Insurance estimate (flat amount)
 - Forgone parking revenue-sharing (at \$12.50 per parking space total cost with 30 percent revenue-sharing to the city)
 - Forgone public stadium revenue-sharing (at \$2 per ticket)
 - Event services (with estimated fee increases every five years)
 - Police (9 percent fee increase every fifth year)
 - Fire (4 percent fee increase every fifth year)
 - EMS (14 percent fee increase every fifth year)
 - Street Cleaning (7 percent fee increase every fifth year)
 - Traffic Control (no fee increase)
 - ◆ In the negotiated proposal, EMS and Fire costs are assumed \$0 based on staff's understanding of the term sheet (that it requires PSV to cover all on-site services, even those outside the stadium).

- **Less Conservative Scenario.** This scenario includes the following:
 - Forgone rent (at 2 percent growth of rent annually)
 - Forgone property tax revenue (at 6 percent growth of tax burden annually)
 - Infrastructure and construction subsidies (flat amount)
 - Insurance estimate (flat amount)
 - Forgone parking revenue-sharing (at \$20 per parking space total cost with 30 percent revenue-sharing to the city)
 - Forgone public stadium revenue-sharing (at \$3 per ticket)
 - Event services (with estimated fee increases every five years)
 - Police (18 percent fee increase every fifth year)
 - Fire (9 percent fee increase every fifth year)
 - EMS (28 percent fee increase every fifth year)
 - Street Cleaning (14 percent fee increase every fifth year)
 - Traffic Control (no fee increase)
 - ◆ In the negotiated proposal, EMS and Fire costs are assumed \$0 based on staff's understanding of the term sheet (that it requires PSV to cover all on-site services, even those outside the stadium).

- **No-Growth Scenario.** This scenario includes the following:
 - Forgone rent (at 2 percent growth of rent annually)
 - Forgone property tax revenue (at no growth of tax burden annually)
 - Infrastructure and construction subsidies (flat amount)
 - Insurance estimate (flat amount)
 - Event services (no fee increases)
 - Police (no fee increase)
 - Fire (no fee increase)
 - EMS (no fee increase)
 - Street Cleaning (no fee increase)
 - Traffic Control (no fee increase)
 - ◆ In the negotiated proposal, EMS and Fire costs are assumed \$0 based on staff's understanding of the term sheet (that it requires PSV to cover all on-site services, even those outside the stadium).

- **Growth Scenario.** This scenario includes the following:
 - Forgone rent (at 2 percent growth of rent annually)
 - Forgone property tax revenue (at 8 percent growth of tax burden annually)
 - Infrastructure and construction subsidies (flat amount)
 - Insurance estimate (flat amount)
 - Forgone parking revenue-sharing (at \$20 per parking space total cost with 30 percent revenue-sharing to the city)
 - Forgone public stadium revenue-sharing (at \$3 per ticket)
 - Event services (with estimated fee increases every five years)
 - Police (18 percent fee increase every fifth year)
 - Fire (9 percent fee increase every fifth year)
 - EMS (28 percent fee increase every fifth year)
 - Street Cleaning (14 percent fee increase every fifth year)
 - Traffic Control (no fee increase)
 - ◆ In the negotiated proposal, EMS and Fire costs are assumed \$0 based on staff's understanding of the term sheet (that it requires PSV to cover all on-site services, even those outside the stadium).

MODELING

The models in the 'Local Subsidies' worksheet were built on given figures (which were provided by PSV or city staff) and estimated figures (which District 7 staff calculated based on information provided by PSV or city staff).

- **Given Figures.**

- **Property Sale Price:** \$29,500,000 (Source: City Staff Memo, "McKalla Place 2016 Appraisal.")
- **Ground Rent Price (Highest and Best Use):** \$1,917,500, escalating at 2 percent per year (Source: City Staff Memo, "McKalla Place 2016 Appraisal.")
- **Site Preparation Costs:** \$1,105,000 (Source: "Staff Response to City Council Questions from June 12th City Council Work Session on McKalla Place.")
 - In the negotiated proposal, site preparation costs for the city are \$0 based on District 7 staff's reading of the term sheet.
- **Waivers of Construction-Related Taxes, Fees, and Charges:** \$300,000 (Source: "Staff Response to City Council Questions from June 12th City Council Work Session on McKalla Place.")
 - In the negotiated proposal, construction-related waivers are \$0 based on District 7 staff's reading of the term sheet.
- **Water Infrastructure Costs:** \$665,000 (Source: City Staff Memo, "Response to City Council Resolution 20180322-99.")
 - In the negotiated proposal, water infrastructure costs are \$0 based on city staff's indication that the agreement will require PSV to fund the necessary utility infrastructure.
- **Wastewater Infrastructure Costs:** \$144,000 (Source: City Staff Memo, "Response to City Council Resolution 20180322-99.")
 - In the negotiated proposal, wastewater infrastructure costs are \$0 based on city staff's indication that the agreement will require PSV to fund the necessary utility infrastructure.
- **Water Quality Infrastructure Costs:** \$1,500,000 (Source: City Staff Memo, "Response to City Council Resolution 20180322-99.")
 - In the negotiated proposal, water quality infrastructure costs are \$0 based on city staff's indication that the agreement will require PSV to fund the necessary utility infrastructure.
- **CapMetro Transit Facilities Costs:** \$640,000 (Source: "Staff Response to City Council Questions from June 12th City Council Work Session on McKalla Place.")
- **CapMetro MetroRail Station Costs:** \$13,000,000 (Source: City Staff Memo, "Response to City Council Resolution 20180322-99.")
- **Insurance Costs:** \$3,091,440 (Source: Human Resources Department)
- **Capital Repairs Subsidies:** \$2,500,000. Under the negotiated proposal, the city would pay \$437,500 in years 6 and 7 and \$125,000 every year thereafter into a capital repairs reserve fund. (Source: "City of Austin: Major League Soccer Stadium Project Term Sheet.")

- **Estimated Figures.**

- **Forgone Property Tax Estimates.** Forgone property taxes are the amount of property taxes that a local government gives up by providing a property tax exemption.

- **General Approach – Forgone Property Tax.** District 7 staff’s general approach to estimating forgone property tax revenues was to estimate the property value, use the current property tax rates to estimate the property taxes owed in the first year, and then estimate annual growth in taxes owed. District 7 staff confirmed with city budget staff that this approach is reasonable.
 - ♦ **Determining the Property Value.** District 7 staff utilized the cost approach to estimate the property value. The Travis Central Appraisal District (TCAD) indicated that ultimately they would plan to hire a third party to help them appraise a soccer stadium due to their experience being sued over their Circuit of the Americas appraisal. However, TCAD also noted that the cost approach can be appropriate in the absence of other information. A presentation by the Hillsborough County (Tampa area) Property Appraiser’s Office argued in favor of using the cost for sports stadium appraisals and noted that the 12th edition of “The Appraisal of Real Estate” indicated that “to value special-purpose properties, the cost approach may be more appropriate and reliable.”
 - ♦ **Estimating Property Tax Burden Growth Rates.** In evaluating these assumptions, District 7 staff looked at city tax burden growth in the recent past. Over the past decade, taxpayers have paid an average of 6.8 percent over the effective maintenance and operations (M&O) tax rate annually. Another way of thinking about this is if all properties in the city appreciated in value at the same rate, then they would all be paying 6.8 percent more in M&O property taxes each year. In reality, some properties appreciated faster than average and paid more while others appreciated slower than average and paid less.
- **Scenarios – Forgone Property Tax.**
 - ♦ **Major Scenarios.**
 - **More Conservative Scenario.** This scenario assumes property tax burden would increase at a rate of 2 percent annually for the McKalla Place site. Under this scenario, property tax burden increases on the site would increase more slowly than the inflation rate for the region, which has hovered around 3 percent in the recent past.
 - **Moderately Conservative Scenario.** This scenario assumes property tax burden would increase at a rate of 4 percent annually for the McKalla Place site.
 - **Less Conservative Scenario.** This scenario assumes property tax burden would increase at a rate of 6 percent annually for the McKalla Place site.
 - ♦ **Other Scenarios.**
 - **No-Growth Scenario.** This scenario assumes property tax burden would remain the same and not increase for the McKalla Place site.
 - **Growth Scenario.** This scenario assumes property tax burden would increase at a rate of 8 percent annually for the McKalla Place site.
- **Event Services Estimates.** Event services costs are those direct costs that the city would be required to fund to provide public safety or cleaning services. In the initial proposal, this included

any public safety or street cleaning services outside the stadium. In the negotiated proposal, this appears to include any public safety or street cleaning services that occur off-site during a soccer game.

- **General Approach – Event Services.**

- ♦ **Determining Event Services Needed Per Event.** District 7 staff worked with city staff from the relevant departments (Austin Police Department, Austin Fire Department, Austin Transportation Department, Austin Resource Recovery, and Austin/Travis County Emergency Medical Services) to estimate what types of resources might reasonably be required to provide services for each event at a potential stadium, based on the available information (including, but not limited to, PSV's concept site plan, proposed stadium size, event attendance estimates from B&D Venues' economic impact analysis, and the departments' experience with other major events). District 7 staff removed from the model any personnel stationed inside the stadium because under the proposal, PSV would cover these costs. On-site personnel that are outside the stadium are included in the model for the pre-negotiation proposal but are not included in the negotiated proposal, per the terms of each.
- ♦ **Developing Different Cost Increase Scenarios Based on Past Experience.** The cost of providing event services generally increases over time. These cost increases, which are laid out in the city's fee schedule, often occur once every couple years, rather than annually. In order to account for this, District 7 staff modeled three scenarios with different assumptions for the rate at which costs will increase going forward; they assumed that cost increases occur every fifth year to account for the fact that these increases generally occur often but not annually. In order to determine these rate increase assumptions, District 7 staff looked back at the rate at which costs have increased over the last two five-year periods. The steps that District 7 staff took are described below:
 - **Determine the Cost for Event Services Over the Last Decade** (from Fiscal Year 2008 to Fiscal Year 2018).
 - **Build Cost Models to Estimate What Event Services Would Have Cost in the Past.** District 7 staff used the models for event services needs that the relevant departments helped create in order to estimate what event services would have cost in FY 2008, FY 2013, and FY 2018. Fuel costs and other variable charges (such as disposal fees and the recycling processing fee) were assumed to be the same as they are today, in order to keep the model conservative. In some instances, certain services that staff determined would be needed today did not exist in past fee schedules. Omitting these from prior years' models entirely would result in larger cost increases over time. In order to ensure that the model remains conservative, District 7 staff made the following assumptions:
 - **For Permit Costs.** Where a permitting fee did not previously exist, the model for that year estimates the permitting cost at the amount charged in the first year that fee was introduced.
 - **For Labor or Similar Costs.** Where labor (or similar) costs did not previously exist, the model for that year estimates the

labor (or similar) costs at the same rate of growth as comparable services over the same timeframe.

- **Calculate the Cost Increases Over the Past Two Five-Year Periods.**
District 7 staff used the models described above to calculate the rate at which event services costs increased over the past two five-year periods (ie. from FY 08 to FY 13 and from FY 13 to FY 18).
- **General Process: Calculate the Average of these Two Cost Increases.**
District 7 staff then calculated the average of the two rates at which event services increased from FY 08 to FY 13 and from FY 13 to FY 18. District 7 staff used this average as the rate at which costs increase every five years in the Less Conservative Scenario. They used half of this average as the rate for the Moderately Conservative Scenario. And they assumed no growth in costs in the More Conservative Scenario. See the next section for more information.
 - **Example: APD.** In order to better understand this process, consider the following example. APD helped estimate that event services would require 19 officers, 2 police sergeants, and a per-event scheduling fee. Between FY 2008 and FY 2013, the total cost per event would have increased 30 percent. Between FY 2013 and 2018, the total cost per event would have increased 5 percent. The average of these two is about 18 percent.

Thus, the Less Conservative Scenario uses an 18 percent event cost increase assumption every five years, the Moderately Conservative Scenario uses a 9 percent event cost increase assumption every five years, and the More Conservative Scenario assumes no cost increases at all.

(The event scheduling fee did not exist in FY 2008, so the model for FY 2008 assumes it would have been the same as the first year it was introduced. Without making this assumption, the total cost per event would have increased 31 percent between FY 2008 and FY 2013 instead of 30 percent).

- **Exceptions.** There are three exceptions to the process outlined above. All of these were made in order to keep the model conservative:
 - **Traffic Control.** Traffic Control costs are \$1,500 for the initial customized traffic control plan and \$500 every two subsequent years for a recertification of this plan. District 7 staff's model assumes no increase in these fees over the lifetime of the stadium deal.
 - **Street Cleaning.** In FY 2013, the city changed the way it calculated events cleaning services. Because of this, including the five-year period between FY 2008 and FY 2013 in the model would result in the inflated average five-year cost increase of 154 percent. In order to address this, District 7 staff instead based their Less Conservative Scenario growth rate

assumption on the cost increases between FY 2013 and FY 2018, which was 14 percent.

- **Fire.** Between FY 2013 and FY 2018, the cost of a Standby Type I Fire Apparatus increased significantly, from \$165 per hour to \$320 per hour. This large increase leads to an average increase of 95 percent. In order to keep the model conservative, District 7 staff based their Less Conservative growth rate assumption on the cost increases between FY 2008 to FY 2013, which was 9 percent.
- **Scenarios – Event Services.**
 - ♦ **More Conservative Scenario.** This scenario assumes that there is no increase in the cost of providing event services over the next 20 years. Given historic cost patterns, this assumption does not appear reasonable, but it is nevertheless included in order to provide the most conservative estimate available.
 - ♦ **Moderately Conservative Scenario.** In general, this scenario assumes that each event service's costs rise every five years at a rate *half* of the average increases seen for those services over the last two five-year periods. In other words, this scenario envisions that every five years event services costs will grow half as fast as they have in the recent past, on average.
 - ♦ **Less Conservative Scenario.** In general, this scenario assumes that each event service's costs rise every five years at a rate equal to the average of the increases seen for those services over the last two five-year periods. In other words, this scenario envisions that every five years event services costs will grow about as fast as they have in the recent past, on average.
- **Forgone Revenue-Sharing.** Under both the initial and negotiated proposal, the city would retain ownership of the stadium and the land. Forgone revenue-sharing opportunities are an estimate of the revenues related to use of its own stadium and land that the city declines to collect. District 7 staff based the model used to estimate forgone revenue-sharing opportunities on the types of revenue-sharing terms used in other stadium agreements.
 - **Ticket Revenue-Sharing.** District 7 staff performed a survey of other professional soccer stadium deals. Stadiums that included revenue-sharing terms in their deals generally did so in one of three ways: by a flat per-ticket surcharge, by a percentage of ticket sales, or some combination of those two. The flat per-ticket surcharge is more prevalent and ranged from \$1 per ticket (in the Los Angeles area) to \$2 per ticket (in Orlando) to \$3 per ticket (in the Denver area). District 7 staff used these terms to calculate the forgone revenue-sharing opportunities; they used B&D Venues' estimated annual stadium attendance of 426,154 to estimate the number of tickets sold.
 - ♦ **More Conservative Scenario.** This scenario assumes a \$1 per ticket revenue-sharing surcharge.
 - ♦ **Moderately Conservative Scenario.** This scenario assumes a \$2 per ticket revenue-sharing surcharge.
 - ♦ **Less Conservative Scenario.** This scenario assumes a \$3 per ticket revenue-sharing surcharge.

- ♦ **No Growth Scenario.** This indirect cost is omitted from the No-Growth Scenario.
- **Parking Revenue-Sharing.** District 7 staff performed a survey of other professional soccer stadium deals. Stadiums that included parking revenue-sharing terms in their deals appear generally to have done so as a percentage of parking revenue. The public sector's share of revenues in the deals that include parking revenue-sharing terms appears to range from 100 percent in Colorado Rapids to 67 percent in Toronto to 50 percent in the Chicago area to 30 percent in Columbus. District 7 staff used the 30 percent from the Columbus stadium agreement to calculate forgone revenue-sharing opportunities. They also used the City of Austin's Variable Special Event Parking fees at the Austin Convention Center (found in the City of Austin's FY 2018 fee schedule) to estimate the charge per parking space per game. These fees range from \$5 to \$20.
 - ♦ **More Conservative Scenario.** This scenario assumes a \$5 charge per parking space, with 30 percent revenue-sharing. It uses the lower end of the Variable Special Event Parking fee at the Austin Convention Center (\$5).
 - ♦ **Moderately Conservative Scenario.** This scenario assumes a \$12.50 charge per parking space, with 30 percent revenue-sharing. It uses the middle of the range in the Variable Special Event Parking fee at the Austin Convention Center (the median point between \$5 and \$20 is \$12.50).
 - ♦ **Less Conservative Scenario.** This scenario assumes a \$20 charge per parking space, with 30 percent revenue-sharing. It uses the upper end of the Variable Special Event Parking fee at the Austin Convention Center (\$20).
 - ♦ **No Growth Scenario.** This indirect cost is omitted from the No-Growth Scenario.
- **Unknown Costs.**
 - **Transportation Impact Analysis (TIA) Improvements.** The city generally requires developers to fund improvements that mitigation the transportation impacts a new project would have on an area. Under the negotiated proposal, the city would be responsible for "certain Stadium Project-related off-site infrastructure." Because TIA costs are contingent on the types of projects that a full TIA identifies, city staff are currently unable to estimate how much TIA improvements could potentially cost. As a result, this cost remains unknown. (Source: "City of Austin: Major League Soccer Stadium Project Term Sheet." and "Staff Response to City Council Questions from June 12th City Council Work Session on McKalla Place.")
 - **Training Complex and Land.** Under the negotiated proposal, the city and PSV would "intend to enter into discussions regarding the development and operation of a MLS training complex." In the absence of more information, the costs to the city remain unknown. (Source: "City of Austin: Major League Soccer Stadium Project Term Sheet.")
 - **Remediation.** Under both the pre-negotiation proposal and the negotiated proposal, the city would cover any remediation costs, "whenever arising." City staff have estimated that there will be no cost to remediation due to "extensive remediation" that occurred in 2006. However, the proposal's language exposes the city to the risk that any remediation needs that may arise at any point in time must be borne by the city. (Sources: "McKalla Place Proposal, Stadium & Soccer Park Development Plan," "City of Austin: Major League Soccer Stadium Project Term Sheet," and McKalla Place AustinTexas.gov Webpage.)

COMMUNITY BENEFIT WORKSHEET: PSV INVESTMENT

GENERAL INFORMATION

The 'PSV Investment' worksheet aims to estimate the credited value of PSV's proposed community benefits under the potential soccer stadium deal.

District 7 staff calculated the estimates provided in this worksheet using the following:

- **PSV's Proposal (Pre-Negotiation Proposal)**, especially the "Community Benefits Overview" on page 161.
- **The Term Sheet (Negotiated Proposal)**, especially "Exhibit 4: Community Benefits" on page 24.
- **Tax Deduction and Credit Calculations**, based on information from the Internal Revenue Service.
- **PSV Assumptions** regarding the value and growth rate of their community benefits.

GENERAL WORKSHEET ASSUMPTIONS

District 7 staff used the following general assumptions in their calculations and modeling:

- **Tax Deductions.** Tax deductions reduce taxable income, which reduces tax liability by the percentage of the tax bracket. In this analysis, we have assumed the existing corporate tax rate of 21 percent. So, for example, a tax deduction of \$10 at the corporate tax rate reduces tax liability by \$2.10. We calculate tax deduction subsidies on this basis in this analysis. (Source: Internal Revenue Service)
- **Community Benefit Growth Rate.** District 7 staff used the 2 percent annual growth rate in 'community benefits' that PSV provided in their proposal. (Source: "City of Austin: Major League Soccer Stadium Project Term Sheet.")
- **Tax Credits.** Tax credits reduce tax liability dollar-for-dollar. So, for example, a tax credit of \$10 would reduce tax liability by \$10. District 7 calculated tax credit subsidies on this basis in this analysis. (Source: Internal Revenue Service)
- **New Market Tax Credits.** The New Market Tax Credit is a federal tax credit subsidy worth 39 percent of the original investment. District 7 staff calculated tax deduction subsidies on this basis in this analysis. PSV indicates that they intend to use New Market Tax Credits to help finance stadium construction. District 7 staff's model assumes PSV utilizes these tax credits to help finance stadium construction. Specifically, the model applies this to the construction cost estimate and the green building program. (Sources: U.S. Department of the Treasury Community Development Financial Institutions Fund and "City of Austin: Major League Soccer Stadium Project Term Sheet.")

MODELING

The models in the 'Local Subsidies' worksheet were built on PSV's assumptions for the value and growth rate of their community benefits and the concept of 'crediting' community benefits based on the details of each benefit.

- **Crediting Community Benefits.** The scenarios in the 'PSV Investment' worksheet are based on the concept of *crediting* community benefits, or valuing community benefits at different levels based on the details of those benefits. For instance, the City of Austin's Parkland Dedication Ordinance requires property owners provide a certain acreage of land for parks space when building a new residential development. However, the land can be credited at different rates depending on its condition, whether amenities are provided, etc. For instance, land in a floodplain can only be accepted at a 50 percent credit and under certain circumstances.

At a high level, the scenarios in the 'PSV Investment' worksheet provide four different ways of analyzing PSV's proposed community benefits package. Two of the scenarios (the More Conservative and Moderately Conservative Scenarios) provide partial credit for certain types of proposed benefits and full credit for

others, while the other scenarios (the Less Conservative and Generous Scenarios) provide full credit for all types of proposed benefits. These scenarios are outlined on page 15.

- **Categorizing Community Benefits.** In order to analyze how to credit different parts of the ‘community benefits’ package, District 7 staff placed each individual benefit into one of four categories:
 - **Non-Profit Donations.** Under the proposal, PSV would donate to local non-profits, such as Foundation Communities. Non-profit donations are generally considered a community benefit; accordingly, District 7 staff credit PSV’s non-profit donations at 100 percent in each scenario.
 - **Parks Maintenance.** Under the proposal, PSV would develop and maintain parks and open space that are accessible to the public. Maintenance funding for publicly accessible parks and open spaces are generally considered a community benefit; accordingly, District 7 staff credit this funding at 100 percent in each scenario.
 - **Use of City Property.** The McKalla Place site is currently public property. Under the proposal, the site would technically remain ‘public property’ while the city would allow PSV to fully control and monetize it. PSV’s proposed package lists several ‘community benefits’ that would return certain usage rights back to the city or to the public, such as allowing the city to use its own property rent-free several times each year. Effectively, these benefits count the city or public’s use of city-owned property as a ‘community benefit.’ As a result of these considerations, District 7 staff have credited these Use of City Property benefits at 50 percent in the More Conservative Scenario, 75 percent in the Moderately Conservative Scenario, and 100 percent in the Less Conservative and Generous Scenarios.
 - **Required and Self-Benefiting Investments.** Under the proposal, PSV would commit to funding youth soccer opportunities, including an MLS Academy program. While these opportunities and programs undoubtedly provide ‘community benefits,’ they represent a (sometimes mandatory) investment in the team’s own future, and PSV is likely to offer them regardless. For instance, Sports Illustrated uses the amount of money a team spends on youth soccer programs as a key indicator of its ambition in the league¹ and the New York Times has reported that MLS requires its teams to run MLS Academies.² PSV’s MLS Academy, which only serves boys,³ represents almost half of the ‘community benefits’ package. As a result of these considerations, District 7 staff have credited these Required and Self-Benefiting Investments at 50 percent in the More Conservative Scenario, 75 percent in the Moderately Conservative Scenario, and 100 percent in the Less Conservative and Generous Scenarios.
- **Calculating the ‘Community Benefit’ Amounts.** District 7 calculated the value of each ‘community benefit’ according to the assumptions reported in PSV’s initial proposal and the terms of the negotiated proposal. (Sources: “McKalla Place Proposal, Stadium & Soccer Park Development Plan” & “City of Austin: Major League Soccer Stadium Project Term Sheet”). These values escalate at 2 percent annually, per the negotiated agreement.
 - **Non-Profit Donations.**
 - **One-Time Donation to Foundation Communities:** \$500,000 (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ◆ Non-profit donations are generally tax deductible. District 7 credited PSV only for the value of their portion of the donation in the More Conservative,

¹ Grant Wahl and Brian Straus, “Numbers Behind the MLS Ambition Rankings: Eastern Conference Clubs,” *Sports Illustrated* (23 April 2018).

² Kevin Draper, “Moving from Buyer to Seller, Major League Soccer Tests a New Revenue Stream,” *New York Times* (1 August 2018).

³ Austin American-Statesman Editorial Board, “Austin needs details to have a deal on MLS stadium,” *Austin American-Statesman* (3 Aug. 2018).

Moderately Conservative, and Less Conservative Scenarios. District 7 staff credited PSV for both the value of their donation and the deduction in the Generous Scenario.

- **Recurring Donations to Foundation Communities:** \$125,000 per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ Non-profit donations are generally tax deductible. District 7 credited PSV only for the value of their portion of the donation in the More Conservative, Moderately Conservative, and Less Conservative Scenarios. District 7 staff credited PSV for both the value of their donation and the deduction in the Generous Scenario.
- **Recurring Donations to Non-Profit Organizations:** \$100,000 per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ Non-profit donations are generally tax deductible. District 7 credited PSV only for the value of their portion of the donation in the More Conservative, Moderately Conservative, and Less Conservative Scenarios. District 7 staff credited PSV for both the value of their donation and the deduction in the Generous Scenario.
- **Recurring Ticket Donations to the City:** 100 tickets per game for an estimated 20 matches annually (at a value of \$30 per ticket), with the dollar value escalating at 2 percent annually in the calculations (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ According to the Columbus Crew Foundation’s 990 form, they funded charitable ticket donations. Since donations to the Columbus Crew Foundation, a 501(c)(3), would be tax deductible, District 7 staff calculated both PSV’s ultimate donation as well as the value of the deduction. District 7 credited PSV only for the value of their portion of the donation in the More Conservative, Moderately Conservative, and Less Conservative Scenarios. District 7 staff credited PSV for both the value of their donation and the deduction in the Generous Scenario.
- **Employee Volunteerism:** Employees volunteer 2,500 hours per year at a value of \$25 per hour, with the dollar value escalating at 2 percent annually in the calculations (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ PSV appears to credit themselves for the value of their employees’ volunteer hours. District 7 staff have credited the employees themselves for their own volunteer time in the More Conservative, Moderately Conservative, and Less Conservative Scenarios. PSV is credited for their employees’ volunteer hours in the Generous Scenario.
- **Partner-Provided Non-Profit Organization Fundraising Opportunities:** Official food and beverage partner donates \$325,000 annually to local non-profits, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ District 7 staff spoke with the relevant stadium personnel to determine program operations. PSV appears to credit themselves for the value of this benefit due to their proposed control over concession revenues. However, PSV’s official food and beverage partner is ultimately who makes the donation itself. As a result, District 7 staff have credited the food and beverage partner for the donation in their More Conservative, Moderately Conservative, and Less Conservative Scenarios. PSV is credited for the food and beverage partner’s donation in the Generous Scenario.

- **Parks Maintenance.**
 - **Parks Maintenance:** \$150,000 per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
- **Use of City Property.**
 - **Meeting Space:** \$5,000 value per rent-free use, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ Initially, PSV reported the value of this benefit as \$25,000 per rent-free use. However, PSV has since valued the meeting space ‘community benefit’ at \$5,000 per rent-free use in their term sheet. District 7 staff have used the most up-to-date value in their calculations (\$5,000 per rent-free use).
 - ♦ PSV initially proposed four rent-free uses annually. The negotiated agreement does not specify a number of rent-free uses. For the purposes of these calculations, it is assumed that the number of rent-free uses remains at four.
 - **Public Sector Use of Stadium.** \$50,000 per rent-free use at a maximum of five uses per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ Under the pre-negotiation proposal, PSV offered two rent-free uses annually for the City or other local governments. Under the negotiated proposal, PSV now offers five rent-free uses annually for the City or other local governments.
 - **Local Food and Beverage Operators:** Allowing two food trucks per game at a value of \$3,000 per truck per match for 20 estimated matches per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - **Affordable Housing:** No required club investment; total value to developer unknown (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ Under the negotiated proposal, PSV would allow up to 130 affordable housing units on up to one acre of land but would not be required to fund these units.
- **Required and Self-Benefiting Investments.**
 - **MLS Academy:** \$1.5 million per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - **Youth Soccer Camps:** \$12,000 per year (30 camps per year at \$400 per camp), escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - **Youth Soccer Clinics:** \$10,000 per clinic (at 10 clinics per year), escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - **Youth Club Scholarships:** \$2,500 per scholarship (at 30 scholarships per year), escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ These scholarships may be tax deductible. However, District 7 staff did not feel comfortable making the assumption they would be tax deductible in their model. As a result, PSV is given full credit for these scholarships.
 - **Equipment and Gear Donations:** \$50,000 per year, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).

- ♦ These donations may be tax deductible. However, District 7 staff did not feel comfortable making the assumption they would be tax deductible in their model. As a result, PSV is given full credit for these donations.
- **Field and Futsal Court Construction and Upgrades:** \$40,000 per year on average, escalating at 2 percent annually (“City of Austin: Major League Soccer Stadium Project Term Sheet”).
 - ♦ According to the Columbus Crew Foundation’s 2016 990 form, they funded soccer field development and maintenance. Since donations to the Columbus Crew Foundation, a 501(c)(3), would be tax deductible, District 7 staff calculated both PSV’s ultimate donation as well as the value of the deduction.
- **Adjusting for Tax Subsidies and Third-Party Donations.** After calculating the total value of each community benefit in accordance with PSV’s assumptions, District 7 staff adjusted the values to account for tax deductions and third-party donations. In other words, the values in the More Conservative, Moderately Conservative, and Less Conservative Scenarios credit PSV *only* for the portion of community benefits that they themselves fund (ie. removing tax deductions, employee volunteer hours, and official food and beverage partner donations). The Generous Scenario credits PSV for all benefit values, regardless of who ultimately funds them.
- **Other: Stadium Construction.** In addition to community benefits, District 7 also staff calculated the respective amounts of private financing and federal tax subsidies (through the New Market Tax Credits) that would be used to fund stadium construction. Under the negotiated agreement, PSV has indicated that the total cost of “design, development, and construction” is “currently estimated not to exceed \$200 million.” Because of this, commitments such as the Austin Energy Green Building rating of at least two stars are assumed to be included in the \$200 million cost.

SCENARIOS

As noted in the preceding section, District 7 staff produced a range of scenarios, from the More Conservative Scenario (which only credits PSV for the portion of benefits they will actually be funding and which discounts the values of benefits in the Use of City Property and Required and Self-Benefiting Investments categories) to the Generous Scenario (which fully credits PSV for the entire value of all benefits, regardless of who funds them).

- **Building Scenarios.**
 - **More Conservative Scenario.** This scenario credits PSV’s contributions to the following:

▪ Donations to Non-Profits:	100 percent credit
▪ Parks Maintenance:	100 percent credit
▪ Use of City Property:	50 percent credit
▪ Required and Self-Benefiting Investments:	50 percent credit
 - **Moderately Conservative Scenario.** This scenario credits PSV’s contributions to the following:

▪ Donations to Non-Profits:	100 percent credit
▪ Parks Maintenance:	100 percent credit
▪ Use of City Property:	75 percent credit
▪ Required and Self-Benefiting Investments:	75 percent credit
 - **Less Conservative Scenario.** This scenario credits PSV’s contributions to the following:

▪ Donations to Non-Profits:	100 percent credit
▪ Parks Maintenance:	100 percent credit
▪ Use of City Property:	100 percent credit
▪ Required and Self-Benefiting Investments:	100 percent credit

- **Generous Scenario.** This scenario credits PSV for PSV's contributions, as well as the full value of tax deductions and third-party contributions, to the following:
 - Donations to Non-Profits: 100 percent credit
 - Parks Maintenance: 100 percent credit
 - Use of City Property: 100 percent credit
 - Required and Self-Benefiting Investments: 100 percent credit